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Qwest must pay \$20M in fines and refunds

The ACC finds the company guilty of illegal and anticompetitive business practices.

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Qwest Communications International was ordered yesterday to pay \$20.65 million in fines and refunds for engaging in illegal and anticompetitive business practices.

The Arizona Corporation Commission found Qwest guilty of improperly entering into secret agreements with two competitors to buy their silence during the company's application to offer long-distance telephone service in Arizona, actions which harmed the state's regulatory process.

It also found Qwest guilty of intentionally delaying the implementation of lower wholesale rates it charges competitors.

The commission ordered Qwest to pay \$9 million in fines to the state within 30 days and to pay qualifying competitors \$11.65 million in refunds or credits within 120 days.

The commission had originally considered fining the company \$11 million but reduced the fines by \$2 million in exchange for an agreement by Qwest not to appeal yesterday's ruling. Qwest also agreed to drop an appeal of the commission's new wholesale rates.

Commissioner Jeff Hatch-Miller said finding Qwest guilty of the misdeeds was an important stand for him to take.

"That was one thing I was not going to let go of," he said.

Qwest and the commission's staff proposed an agreement last year that would have settled the charges and allowed the company to pay fines, refunds and voluntary contributions, but not admit any wrongdoing. An administrative law judge in December rejected that agreement and Qwest filed a second proposed settlement last week in which it also denied wrongdoing.

The Federal Communications Commission recently recommended \$9 million in fines for Qwest's failure to file the agreements in question. Corporation Commission Chairman Marc Spitzer said that finding bolstered the state's case against the company.

"It made it impossible for them to defend those agreements, in my judgment," Spitzer said.

Qwest spokesman Jeff Mirasola called yesterday's ruling "fair and equitable" for the company, its competitors and the state.

"I think it really showed a renewed trust between the ALJ (administrative law judge), the commission staff and the commission in that the final order will be palatable to all the parties," he said. "We wanted to resolve these issues in order to focus our resources to where they need to be, which is providing service to our customers."

Commissioner Kristin Mayes said the ruling was a way of sending a message to Qwest and other regulated companies in the state.

"I think it was important that we say publicly that Qwest willfully and intentionally violated the law and tried to damage the public trust," she said. "The penalties are important as well, but this is really about deterring Qwest from doing this again."

Hatch-Miller said yesterday's decision was the largest fine ever levied by the commission.